

AR25



**General
Bakeries
Limited**

Annual Report
for the year
ended April 6
1966

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EXECUTIVE OFFICES

170 THE DONWAY WEST

DON MILLS, ONTARIO

General Bakeries Limited

Directors

Christie T. Clark—Toronto

J. C. P. Conrad—Toronto
Member of the Executive Committee

J. M. R. Corbet—Toronto

T. G. Gedge—Toronto

J. William Horsey—Toronto
Member of the Executive Committee

Edwin C. McDonald—New York

John A. McDougald—Toronto
Chairman of the Executive Committee

J. Ernest Savard—Montreal

S. R. Saxby—Montreal

J. P. Walwyn—Toronto

Officers

J. William Horsey—*Chairman of the Board*

J. C. P. Conrad—*President*

R. J. Langley—*Vice-President—Sales*

T. G. Gedge—*Vice-President and Secretary-Treasurer*

F. R. Filion—*Vice-President—Industrial Relations*

Auditors

Thorne, Mulholland, Howson & McPherson, Toronto

Solicitors

Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto

Registrar & Transfer Agent

Crown Trust Company, Toronto, Montreal and Vancouver

Bankers

Canadian Imperial Bank of Commerce

Banque Canadienne Nationale

The Bank of Nova Scotia

Financial Highlights

	1966	1965
Net income for year - - - - -	\$ 629,463	\$ 602,040
Equal per share to - - - - -	.84	.80
Dividends paid or payable - - - - -	187,500	159,375
Equal per share to - - - - -	.25	.21 ¹ / ₄
Shareholders' equity - - - - -	4,570,373	4,128,410
Equal per share to - - - - -	6.09	5.50
Equity capital invested		
Working capital - - - - -	517,379	692,629
Fixed assets, less accumulated depreciation -	4,492,993	3,986,780
Goodwill - - - - -	1	1
	5,010,373	4,679,410
Deduct:		
Term debt- - - - -	300,000	450,000
Deferred income taxes - - - - -	140,000	101,000
	4,570,373	4,128,410
Gross expenditures for fixed assets during year -	\$1,153,951	\$ 696,158

Report to the Shareholders

for the year ended April 6, 1966

This Annual Report marks the 20th anniversary of General Bakeries Limited. Since the inception on April 3, 1946, your company has grown from five plants located in four provinces to fourteen plants located in eight provinces and is now selling bakery products in the major markets from coast to coast. Net sales are six times and net income five times the comparable figures of 20 years ago. Net income per share, before allowing for the three-for-one split in July 1964, has increased from 48 cents in 1946 to \$2.52 per share this year. At the same time and on the same basis, as a shareowner your equity in the company has increased from \$4.61 per share to \$18.28 this year.

Consolidated net income for the year amounted to \$629,463, an increase of 4.5% over net income of \$602,040 a year ago. Per share earnings for the year on the new basis were 84 cents compared with 80 cents last year. Net income before taxes was only slightly lower than for the record year of 1965.

On the whole it was a reasonably satisfactory year, having in mind that certain markets in which the company operates were subjected to intense price competition. Because of this some divisions were not able to contribute their expected share of total earnings. Until conditions change, we cannot count on profit improvement from those sources. While sales volume of products other than bread increased at a greater rate than ever and the overall total was another

record, nevertheless the increase was considered modest compared with other years.

Increased operating costs and prices of some ingredients forced us to increase the price of our bread in February. This provided some relief for the last seven weeks of the fiscal year.

Conditions within the industry in past years provided the opportunity to improve the company's position in a gradual and regulated fashion. Our method of expansion was mainly by acquisition. In most cases these acquisitions were necessary to service the more important markets. However, conditions have changed. There is a noticeable accelerated shift in the product mix from bread to other bakery products.

These changes have realigned our thinking and planning. For some time management has been reappraising our position for the future development of the company, especially with regard to the large Ontario and Quebec markets. Plans for expansion and consolidation are in hand which will require capital expenditures far in excess of any previous years.

Capital expenditures this year were the highest in the company's history. A substantial share of these expenditures formed part of our long-range planning. They also included the purchase of Ellenzweig Bakery. The addition of Ellenzweig to our system permitted us to enter the hearth-baked products field. This type of product has

shown steady growth in recent years and augments our product line in certain markets.

If we can believe the economic indicators, business in Canada can be expected to continue at the same high level and the Food Industry should share in this prosperity. For the Baking Industry to continue to play a vital role in the national economy and make a significant contribution, it must be profitable. Unfortunately, it is becoming more difficult to generate the additional revenue required to pay for the higher costs of doing business—costs which stem mainly from increased wages and benefits to employees together with legislated cost increases of expanded welfare programs. Current prices of baked foods still do not fully reflect these increased costs which are identified with a buoyant economy. Your management is already directing its energy and resources toward the protection of existing profits and our long-range planning program is designed for profit improvement and to advance and strengthen our position.

We again thank all those who have contributed to the company's progress and look forward to the active months ahead.

On behalf of your Board of Directors.

May 18, 1966.


President

General Bakeries Limited INCORPORATED UNDER THE LAWS OF ONTARIO and subsidiary companies **Consolidated**

<i>Assets</i>		1966	1965
CURRENT ASSETS:			
Cash - - - - -		\$ 474,034	\$ 521,282
Accounts receivable, less allowance for doubtful accounts - -		855,695	745,560
Inventory of merchandise and supplies, at lower of cost and market - - - - -		843,412	694,524
Prepaid expenses - - - - -		102,391	105,819
TOTAL CURRENT ASSETS - - - - -		2,275,532	2,067,185
FIXED ASSETS, AT COST:			
Land - - - - -		439,105	368,764
Buildings, machinery, delivery and other equipment - - - -		10,604,277	9,424,808
		11,043,382	9,793,572
Less Accumulated depreciation - - - - -		6,550,389	5,806,792
		4,492,993	3,986,780
GOODWILL - - - - -		1	1
Approved on behalf of the Board			
J. WILLIAM HORSEY, <i>Director</i>			
J. M. R. CORBET, <i>Director</i>			
		\$ 6,768,526	\$6,053,966

The accompanying note

AUDITORS' REPORT

To the Shareholders of
GENERAL BAKERIES LIMITED:

We have examined the consolidated balance sheet of General Bakeries Limited and subsidiary companies as at April 6, 1966 and the consolidated statements of income and earnings retained in the business for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of income and earnings retained in the business present fairly the combined financial position of General Bakeries Limited and subsidiary

Balance Sheet, April 6, 1966 (WITH COMPARATIVE FIGURES AS AT APRIL 7, 1965)

<i>Liabilities</i>													1966	1965
CURRENT LIABILITIES:														
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	-	-	-	-	\$ 1,631,169	\$1,167,729
Dividend payable	-	-	-	-	-	-	-	-	-	-	-	-	46,875	46,875
Income taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	80,109	159,952
TOTAL CURRENT LIABILITIES													1,758,153	1,374,556
TERM BANK LOAN	-	-	-	-	-	-	-	-	-	-	-	-	300,000	450,000
DEFERRED INCOME TAXES (see note)	-	-	-	-	-	-	-	-	-	-	-	-	140,000	101,000
TOTAL LIABILITIES													2,198,153	1,925,556

<i>Shareholders' Equity</i>											
CAPITAL STOCK:											
Authorized:											
50,000 preference shares of \$10.00 par value											
1,500,000 common shares of no par value											
Issued:											
750,000 common shares - - - - -										1,034,750	1,034,750
EARNINGS RETAINED IN THE BUSINESS - - - - -										3,535,623	3,093,660
										4,570,373	4,128,410
										\$ 6,768,526	\$6,053,966

egral part of this statement.

companies as at April 6, 1966 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and use of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in working capital of the companies for the year ended April 6, 1966.

Toronto, Canada, May 6, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

General Bakeries Limited and subsidiary companies

Consolidated Statement of Income

YEAR ENDED APRIL 6, 1966 (With comparative figures for year ended April 7, 1965)

	1966	1965
Net operating profit before the following items - - - - -	\$1,699,074	\$1,680,082
Depreciation - - - - -	636,530	583,822
Directors' fees - - - - -	5,000	5,000
Interest on long-term indebtedness - - - - -	10,273	15,350
	651,803	604,172
Income before undernoted items - - - - -	1,047,271	1,075,910
Profit on disposal of fixed assets - - - - -	6,192	41,130
	1,053,463	1,117,040
Taxes on income (see note) - - - - -	424,000	515,000
NET INCOME FOR YEAR - - - - -	\$ 629,463	\$ 602,040

Consolidated Statement of Earnings Retained in the Business

YEAR ENDED APRIL 6, 1966 (With comparative figures for year ended April 7, 1965)

	1966	1965
Balance at beginning of year - - - - -	\$3,093,660	\$2,650,995
Net income for year - - - - -	629,463	602,040
	3,723,123	3,253,035
Dividends paid or payable - - - - -	187,500	159,375
BALANCE AT END OF YEAR - - - - -	\$3,535,623	\$3,093,660

General Bakeries Limited and subsidiary companies

Consolidated Statement of Source and Use of Funds

YEAR ENDED APRIL 6, 1966 (With comparative figures for year ended April 7, 1965)

SOURCE OF FUNDS:	1966	1965
By operations:		
Net income for year - - - - -	\$ 629,463	\$ 602,040
Add:		
Depreciation, which does not involve an outlay of funds - -	636,530	583,822
Provision for deferred income taxes - - - - -	39,000	101,000
	1,304,993	1,286,862
Book value of fixed asset disposals - - - - -	11,208	32,003
	1,316,201	1,318,865
USE OF FUNDS:		
Additions to fixed assets - - - - -	1,153,951	696,158
Dividends paid or payable - - - - -	187,500	159,375
Decrease in term bank loan - - - - -	150,000	250,000
Reduction in first mortgage serial bonds - - - - -		40,000
	1,491,451	1,145,533
INCREASE (decrease) IN WORKING CAPITAL - - - - -	(175,250)	173,332
Working capital at beginning of year - - - - -	692,629	519,297
WORKING CAPITAL AT END OF YEAR - - - - -	\$ 517,379	\$ 692,629

Note to Consolidated Financial Statement

YEAR ENDED APRIL 6, 1966

INCOME TAXES

The company claims accelerated capital cost allowances under tax incentive legislation. The resultant tax savings, based on the additional available capital cost allowance have not been reflected in the statement of income but have been credited to "Deferred income taxes". The taxes so deferred will be brought into income in future years when total allowances for tax purposes may be less than the depreciation provisions recorded in the accounts.

General Bakeries Limited and subsidiary companies Ten Year Financial Record

	1966	1965	1964	1963
OPERATIONS				
Net income for year - - - - -	\$ 629,463	\$ 602,040	\$ 501,324	\$ 361,495
Equal per share to * - - - - -	.84	.80	.67	.48
Dividends paid or payable - - -	187,500	159,375	125,000	100,000
Equal per share to * - - - - -	.25	.21¼	.17	.13
FINANCIAL POSITION				
Current assets - - - - -	2,275,532	2,067,185	2,086,495	1,926,094
Current liabilities - - - - -	1,758,153	1,374,556	1,567,198	1,503,159
Working capital - - - - -	517,379	692,629	519,297	422,935
Fixed assets—less accumulated depreciation - -	4,492,993	3,986,780	3,906,447	3,766,485
Total assets - - - - -	6,768,526	6,053,966	5,992,943	5,692,580
Term bank loan - - - - -	300,000	450,000	700,000	800,000
First mortgage serial bonds - -	—	—	40,000	80,000
Deferred income taxes - - - -	140,000	101,000	—	—
Shareholders' equity - - - - -	4,570,373	4,128,410	3,685,745	3,309,421
Equal per share to - - - - -	6.09	5.50	4.91	4.41

*Per share figures are adjusted to reflect three-for-one stock split effective July 2, 1964.

1962	1961	1960	1959	1958	1957
\$ 302,078	\$ 240,975	\$ 251,486	\$ 239,832	\$ 203,005	\$ 160,222
.40	.32	.33	.32	.27	.21
100,000	100,000	87,500	75,000	75,000	81,250
.13	.13	.12	.10	.10	.11
1,683,492	1,549,053	1,677,575	1,484,379	1,195,262	1,177,327
1,419,994	1,314,902	1,236,106	1,183,155	717,693	581,678
263,498	234,151	441,469	301,224	477,569	595,649
3,804,427	3,661,696	3,713,403	3,829,662	2,678,485	2,672,400
5,487,920	5,210,750	5,390,979	5,314,042	3,873,748	3,849,728
900,000	890,000	1,250,000	1,350,000	500,000	700,000
120,000	160,000	200,000	240,000	280,000	320,000
—	—	—	—	—	—
3,047,926	2,845,848	2,704,873	2,540,887	2,376,055	2,248,050
4.06	3.79	3.61	3.39	3.17	3.00

General Bakeries Limited and subsidiary companies

- Mammy's Limited
- The Walker Bakeries Limited
- General Bakeries (N.B.), Limited
- O'Malley's Limited
- The Marra's Bread Limited
- Ellenzweig Bakery Limited

Plants and Offices

- St. John's
- Dartmouth
- Saint John
- Montreal
- Ottawa
- Brockville
- Toronto
- Hamilton
- Amherstburg
- Winnipeg
- Brandon
- Calgary
- Vancouver

Executive Offices

170 The Donway West
Don Mills, Ontario

General Bakeries has a single

purpose . . . the production

of the finest quality

bread and bakery

products . . . the consistent

development of high standards

of baking procedure and

bakery service for the benefit

of Canadians in the territories

served by your company.



MONTREAL 3,
P.O. BOX 250
845-6108

FINANCIAL COUNSEL

— ESTABLISHED 1925 —

TORONTO 1,
6 Adelaide St., E.
368-1674

Press Article Authorized by:

General Bakeries Limited,
170 The Donway West, Don Mills,
Toronto, Ontario.

● FOR RELEASE

MONDAY
MAY 30-66

AR25

EARNINGS, SALES GENERAL BAKERIES HIGHER

Net income of General Bakeries Ltd. increased 4.5 per cent to \$629,463 (84 cents a share) in year ended April 6, 1966 from \$602,040 (80 cents) for previous year. Sales rose modestly to a new high.

Year was reasonably satisfactory considering intense price competition in certain markets, J. C. P. Conrad, president, reports. Some divisions as a result were not able to contribute their expected share to profits. It is becoming more difficult to generate the required additional revenue to pay for the higher costs of doing business - costs which stem mainly from increased wages and legislated expanded welfare programs.

Entering its 21st year, General Bakeries has grown from five plants in four provinces to 14 plants in eight provinces and now sells bakery products from coast to coast. Sales are six times and net income five times comparable figures of 20 years ago.

The noticeable accelerated shift in product mix from bread to other bakery products has realigned thinking and planning, Mr. Conrad states. Plans now in hand will require capital expenditures far in excess of any previous year.

Working capital of \$517,379 at April 6 was down \$175,000 due to record capital additions of \$1,154,000. Retained earnings at \$3,535,623 were up \$442,000.

• 1941-1942, 1943-1944, 1945-1946, 1947-1948, 1949-1950, 1951-1952, 1953-1954, 1955-1956, 1957-1958, 1959-1960, 1961-1962, 1963-1964, 1965-1966, 1967-1968, 1969-1970, 1971-1972, 1973-1974, 1975-1976, 1977-1978, 1979-1980, 1981-1982, 1983-1984, 1985-1986, 1987-1988, 1989-1990, 1991-1992, 1993-1994, 1995-1996, 1997-1998, 1999-2000, 2001-2002, 2003-2004, 2005-2006, 2007-2008, 2009-2010, 2011-2012, 2013-2014, 2015-2016, 2017-2018, 2019-2020, 2021-2022, 2023-2024, 2025-2026, 2027-2028, 2029-2030, 2031-2032, 2033-2034, 2035-2036, 2037-2038, 2039-2040, 2041-2042, 2043-2044, 2045-2046, 2047-2048, 2049-2050, 2051-2052, 2053-2054, 2055-2056, 2057-2058, 2059-2060, 2061-2062, 2063-2064, 2065-2066, 2067-2068, 2069-2070, 2071-2072, 2073-2074, 2075-2076, 2077-2078, 2079-2080, 2081-2082, 2083-2084, 2085-2086, 2087-2088, 2089-2090, 2091-2092, 2093-2094, 2095-2096, 2097-2098, 2099-2100, 2101-2102, 2103-2104, 2105-2106, 2107-2108, 2109-2110, 2111-2112, 2113-2114, 2115-2116, 2117-2118, 2119-2120, 2121-2122, 2123-2124, 2125-2126, 2127-2128, 2129-2130, 2131-2132, 2133-2134, 2135-2136, 2137-2138, 2139-2140, 2141-2142, 2143-2144, 2145-2146, 2147-2148, 2149-2150, 2151-2152, 2153-2154, 2155-2156, 2157-2158, 2159-2160, 2161-2162, 2163-2164, 2165-2166, 2167-2168, 2169-2170, 2171-2172, 2173-2174, 2175-2176, 2177-2178, 2179-2180, 2181-2182, 2183-2184, 2185-2186, 2187-2188, 2189-2190, 2191-2192, 2193-2194, 2195-2196, 2197-2198, 2199-2200, 2201-2202, 2203-2204, 2205-2206, 2207-2208, 2209-2210, 2211-2212, 2213-2214, 2215-2216, 2217-2218, 2219-2220, 2221-2222, 2223-2224, 2225-2226, 2227-2228, 2229-2230, 2231-2232, 2233-2234, 2235-2236, 2237-2238, 2239-2240, 2241-2242, 2243-2244, 2245-2246, 2247-2248, 2249-2250, 2251-2252, 2253-2254, 2255-2256, 2257-2258, 2259-2260, 2261-2262, 2263-2264, 2265-2266, 2267-2268, 2269-2270, 2271-2272, 2273-2274, 2275-2276, 2277-2278, 2279-2280, 2281-2282, 2283-2284, 2285-2286, 2287-2288, 2289-2290, 2291-2292, 2293-2294, 2295-2296, 2297-2298, 2299-2300, 2301-2302, 2303-2304, 2305-2306, 2307-2308, 2309-2310, 2311-2312, 2313-2314, 2315-2316, 2317-2318, 2319-2320, 2321-2322, 2323-2324, 2325-2326, 2327-2328, 2329-2330, 2331-2332, 2333-2334, 2335-2336, 2337-2338, 2339-2340, 2341-2342, 2343-2344, 2345-2346, 2347-2348, 2349-2350, 2351-2352, 2353-2354, 2355-2356, 2357-2358, 2359-2360, 2361-2362, 2363-2364, 2365-2366, 2367-2368, 2369-2370, 2371-2372, 2373-2374, 2375-2376, 2377-2378, 2379-2380, 2381-2382, 2383-2384, 2385-2386, 2387-2388, 2389-2390, 2391-2392, 2393-2394, 2395-2396, 2397-2398, 2399-2400, 2401-2402, 2403-2404, 2405-2406, 2407-2408, 2409-2410, 2411-2412, 2413-2414, 2415-2416, 2417-2418, 2419-2420, 2421-2422, 2423-2424, 2425-2426, 2427-2428, 2429-2430, 2431-2432, 2433-2434, 2435-2436, 2437-2438, 2439-2440, 2441-2442, 2443-2444, 2445-2446, 2447-2448, 2449-2450, 2451-2452, 2453-2454, 2455-2456, 2457-2458, 2459-2460, 2461-2462, 2463-2464, 2465-2466, 2467-2468, 2469-2470, 2471-2472, 2473-2474, 2475-2476, 2477-2478, 2479-2480, 2481-2482, 2483-2484, 2485-2486, 2487-2488, 2489-2490, 2491-2492, 2493-2494, 2495-2496, 2497-2498, 2499-2500, 2501-2502, 2503-2504, 2505-2506, 2507-2508, 2509-2510, 2511-2512, 2513-2514, 2515-2516, 2517-2518, 2519-2520, 2521-2522, 2523-2524, 2525-2526, 2527-2528, 2529-2530, 2531-2532, 2533-2534, 2535-2536, 2537-2538, 2539-2540, 2541-2542, 2543-2544, 2545-2546, 2547-2548, 2549-2550, 2551-2552, 2553-2554, 2555-2556, 2557-2558, 2559-2560, 2561-2562, 2563-2564, 2565-2566, 2567-2568, 2569-2570, 2571-2572, 2573-2574, 2575-2576, 2577-2578, 2579-2580, 2581-2582, 2583-2584, 2585-2586, 2587-2588, 2589-2590, 2591-2592, 2593-2594, 2595-2596, 2597-2598, 2599-2600, 2601-2602, 2603-2604, 2605-2606, 2607-2608, 2609-2610, 2611-2612, 2613-2614, 2615-2616, 2617-2618, 2619-2620, 2621-2622, 2623-2624, 2625-2626, 2627-2628, 2629-2630, 2631-2632, 2633-2634, 2635-2636, 2637-2638, 2639-2640, 2641-2642, 2643-2644, 2645-2646, 2647-2648, 2649-2650, 2651-2652, 2653-2654, 2655-2656, 2657-2658, 2659-2660, 2661-2662, 2663-2664, 2665-2666, 2667-2668, 2669-2670, 2671-2672, 2673-2674, 2675-2676, 2677-2678, 2679-2680, 2681-2682, 2683-2684,

... (faint text) ...

1. The first step in the process of identifying a problem is to recognize that a problem exists. This involves gathering information about the situation and identifying the specific issue that needs to be addressed.

General Bakeries Ltd.

	Year Ended April 6-66	Year Ended April 7-65
<u>Profit & Loss</u>		
Oper. Profit	\$ 1,694,074	\$ 1,675,082
Depreciation	636,530	583,822
Interest	10,273	15,350
	<u>1,047,271</u>	<u>1,075,910</u>
Sale Assets	6,192	41,130
	<u>1,053,463</u>	<u>1,117,040</u>
Income Taxes	424,000	515,000
Net Income	629,463	602,040
Prev. Surplus	<u>3,093,660</u>	<u>2,650,995</u>
	<u>3,723,123</u>	<u>3,253,035</u>
Dividends	187,500	159,375
Ret'd Earn'gs	\$ <u>3,535,623</u>	\$ <u>3,093,660</u>
Net Per Share	84¢	80¢
Paid Per Share	25¢	21¢
<u>Assets</u>	<u>April 6-66</u>	<u>April 7-65</u>
Cash	\$ 474,034	\$ 521,282
Receivables	855,695	745,560
Inventories	843,412	694,524
Prep. Exp's	<u>102,391</u>	<u>105,819</u>
Current Assets	2,275,532	2,067,185
Fixed Assets (x)	4,492,993	3,986,780
Goodwill	1	1
Total Assets	\$ <u>6,768,526</u>	\$ <u>6,053,966</u>
<u>Liabilities</u>	<u>April 6-66</u>	<u>April 7-65</u>
Payables	\$ 1,631,169	\$ 1,167,729
Dividends	46,875	46,875
Income Taxes	80,109	159,952
Current Liabilities	<u>1,758,153</u>	<u>1,374,556</u>
Bank Loan	300,000	450,000
Def. Inc. Taxes	140,000	101,000
Capital (y)	1,034,750	1,034,750
Ret'd Earn'gs	<u>3,535,623</u>	<u>3,093,660</u>
Total Liabilities	\$ <u>6,768,526</u>	\$ <u>6,053,966</u>

(x) After depreciation-\$6,550,389 in 1966; \$5,806,792 in 1965.

(y) 750,000 common shares outstanding.

Working Capital	\$ 517,379	\$ 692,629
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